

The complaint

Mr M complains that Lloyds Bank PLC misled him to believe that his lower payment arrangement would continue without further review whilst he was in financial difficulties.

What happened

Mr M has had a mortgage with Lloyds since 2005. Mr M suffered a heart attack in March 2023 and has been unable to work. In June 2023 he approached Lloyds for assistance. Lloyds agreed a reduced payment plan of £354.83 per month for three months. Mr M also took out a product transfer to a fixed rate mortgage product beginning on 1 July 2023. Mr M spoke with Lloyds on 11 September 2023 and after an income/expenditure review a further reduced payment plan was agreed at the same rate for another three months. Mr M contacted Lloyds again at the beginning of December but then complained that the reduced payment plan would not be available for the longer term and that he may face legal action. Mr M says that he understood that the reduced payment plan would run until 2025 when Mr M says that he intends to sell the property. Lloyds accepted that there had been communication errors and paid Mr M compensation of £500. But it said that its decision to accept lower payments was subject to regular review.

Our investigator's view was that Lloyds hadn't promised to keep the lower payments running indefinitely until the property was sold or agreed that it would never take legal action. Lloyds has told our investigator that it had no plans at that time to take legal action. Mr M disagreed saying that Lloyds led to him to believe that the arrangement would be long term and, as he was misled, he lost the opportunity to discuss the matter in detail at that time. Further as he initially understood that he would face an early repayment charge ("ERC"), he lost the opportunity to market the property at that time.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr M unfortunately has suffered an illness which has affected his ability to work and earn an income and meant that he can't pay the contractual monthly payment ("CMP") as it falls due. He approached Lloyds for assistance in these financial difficulties. Lloyds facilitated Mr M by agreeing to a product transfer so that Mr M has the advantage of a lower fixed rate than would otherwise be the case. It has also agreed to waive the ERC that would otherwise apply to this product if Mr M sells the property. It has also agreed affordable reduced payments with Mr M subject to quarterly review. Lloyds have also paid compensation to Mr M of £500 for the failures in its communications.

Mr M says in the complaint form that the specific reason for his complaint is that Lloyds doesn't acknowledge that he was misled into believing that his lower payments would be acceptable ongoing. But that's not what was agreed or indeed fair. In return for the loan, Mr M agreed to make a CMP to Lloyds. Presently, because of his circumstances, he can't make that payment and Lloyds agreed to accept a lower payment subject to a three-monthly

review. That's clear from the email correspondence of July 2023 with the Lloyds adviser. Mr M asks and the adviser agrees that a likely *similar* arrangement (lower payments subject to three-month reviews) *could* be ongoing (my italics) and that's what appears to have happened. Mr M wants a different agreement – one with no reviews but that's not what Lloyds agreed to and would be unfair.

Mr M has a contractual liability to pay the higher amount - that what he agreed he would do – but presently he can't pay that, and Lloyds agreed to accept a smaller sum. But Mr M's circumstances may change. He may be able to pay a higher amount or may be unable to pay the lower amount he presently pays so it's fair that the account and Mr M's circumstances should be reviewed periodically. Indeed, that's what is commonly done, and Lloyds actions meet the standard we would expect.

Mr M is also concerned about legal action by Lloyds and wants assurance that “ *no formal legal action will take place during the term of the mortgage so long as I continue to pay my minimum payments as previously agreed* ” Lloyds has a mortgage contract with Mr M which gives it the right to take legal action if the contract is breached. Its right to do so would be set out in its terms and conditions, it would be unfair to remove that right. It would be also unfair of Lloyds to take any action against Mr M if it has agreed to accept reduced payments from Mr M - although as noted above any agreement I've seen relates to three-month periods and are subject to review. If Lloyds takes action to repossess Mr M's property in breach of an agreement, Mr M can complain to Lloyds and then to us if Lloyds continues with such action.

It's unfortunate that Mr M finds himself in the situation he is in being unable to meet the CMP just as the term of the mortgage approaches its end date. I've closely read the file and it's clear that Lloyds's communications have not been good at times particularly for a person in a vulnerable situation such as Mr M. Lloyds agrees and says that part of the problem has been that at different times that different teams have been looking at the account. For example, when Mr M wanted a product transfer and was dealing with the arrears team, his cheaper option lay with a product transfer but not a product transfer in arrears and was switched to another team. That lack of continuity in communication led as I understand it to confusion about whether an ERC would be applied or not which was eventually resolved in Mr M's favour. I appreciate that this has all been very annoying and distressing for Mr M in his present circumstances. For that and other errors in communication, he is due compensation. Lloyds has offered compensation of £500 which seems fair.

Finally, Mr M makes a point in his email of 14 May 2024 that he lost the opportunity to market his property because Lloyds told him he would have to pay an ERC on his product transfer and, when it then told him there was not going to charge an ERC, the opportunity had gone. I don't see that this issue is referred to in Mr M's complaint form that he submitted to us. This relates to the issue when Mr M chose the cheaper option of an ordinary product transfer which would of course normally carry an ERC as opposed to a product transfer in arrears which would not.

Lloyds accepts that there was some degree of confusion about the ERC which was resolved in Mr M's favour which allowed Mr M the benefit of the lower interest rate on the ordinary product transfer with the benefit of no ERC which would accompany the product transfer in arrears. Mr M's point was that until it was resolved he couldn't market his property because he thought he would have to pay an ERC. That would mean the marketing of his property was delayed because of that issue. But I've no evidence that Mr M put the property on the market after that issue was resolved and that the issue of the ERC alone was delaying the marketing of the property. I presume if it had been, Mr M might have mentioned on his Complaint Form. So, there's no evidence that Mr M suffered any loss because of Lloyds actions, and I can't fairly ask Lloyds to pay compensation for that.

My final decision

Lloyds Bank PLC has offered and paid £500 to Mr M settle this complaint which I consider is a fair outcome in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 October 2024.

Gerard McManus
Ombudsman